



**IN THE MATTER OF**

**FORTISBC INC.**

**APPLICATION FOR APPROVAL OF STEPPED AND STAND-BY RATES  
FOR TRANSMISSION [VOLTAGE] CUSTOMERS**

**DECISION – STAGE III**

**STAND-BY RATES**

**(See Order G-67-14 for STAGE I  
and Order G-46-15 for STAGE II)**

**May 29, 2015**

**Before:**

**L. A. O'Hara, Commissioner/Panel Chair**

**R. D. Revel, Commissioner**

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## EXECUTIVE SUMMARY

This Stage III Decision addresses Rate Schedule 37 Stand-by Rate (RS 37) for FortisBC Energy Inc. (FortisBC) and represents the final step in approving the rate. The Stage I Decision did not approve RS 37 as proposed by FortisBC but included several determinations which set the foundation for a revised RS 37 which FortisBC was directed to file (Revised RS 37 Filing). The Revised RS 37 Filing was to incorporate the Panel's Stage I findings.

In the Stage II Decision, on the Revised RS 37 Filing, attached to Order G-46-15, the Panel found that FortisBC's failed to design a functional rate within the set of Panel recommended parameters. The refore, the Panel prescribed the form of RS 37 which included the following key components: (i) Rate Schedule 31 (RS 31) Contract Demand; (ii) Stand-by Billing Demand; and (iii) Stand-by Demand Limit which are normally negotiated between the customer and FortisBC. The Panel also determined that the rate should include a penalty component; however, before approving the rate as final, the Panel sought further submissions on the penalty. FortisBC was also provided an opportunity to comment on the workability of the language directed in the Stage II Decision.

This Stage III Decision addresses the penalty and language submissions filed by the parties in compliance with Order G-46-15. It also addresses certain outstanding Celgar's specific issues. The Stage I, II and III Decisions are meant to work in conjunction with each other.

### ***The Penalty Component of RS 37***

As a matter of principle, the Panel considers that a penalty provision, by its nature, should be punitive but not unreasonably so. Therefore, penalties should be designed to discourage unauthorized use. In the Stage II Decision, the Panel put forward a Panel Proposed Penalty which included both an Energy Charge and Maximum Billing Demand penalty.

Regarding the Energy Charge penalty, the Panel first directs that it will apply to all Stand-by Energy taken during a Stand-by Penalty Period. However, the Panel clarifies that the penalty will not apply to any energy taken up to the RS 31 Contract Demand given that such is not Stand-by Energy.

As a clarification for the Maximum Billing Demand penalty, the Panel determines that the maximum demand recorded during a Stand-by Penalty Period, and not just the excess, will be used in the calculation of the current billing periods RS 31 Billing Demand. Furthermore, the maximum demand recorded during a Stand-by Penalty Period will not set a RS 31 ratchet that would apply in future billing periods.

With these clarifications, the Panel approves its Energy Charge and Maximum Billing Demand penalty as put forward in the Stage II Decision as no party has taken exception to it.

Finally, the Panel considered unusual or extreme circumstances under which the penalty would be waived. The Panel determines that the circumstances to have the penalty waived can only be applicable to Back-Up Service when the customer has exceeded its allotment of 876 hours per calendar year or when the customer fails to provide notification as per Special Provision 4 of RS 37. In those cases, the Panel determines, the penalty will be waived under the following circumstances:

- i. An extreme or unusual circumstance as identified in the *force majeure* provision in the FortisBC's approved tariff, Section 11.4 limits the self-generation of the customer; or
- ii. A temporary reduction in customer generation, as a response to a system issue on the FortisBC's system, which takes the customer's generation off-line.

### ***Tariff Sheets and Draft Tariff Language***

Based on the submissions received, the Panel incorporates certain revisions suggested by FortisBC and approved one revision suggested by Celgar given that FortisBC endorsed it. The Panel also directed that certain housekeeping revisions be made to the final tariff sheets.

### ***Final Approval of RS 37***

The Panel approves the final form of Rate Schedule 37 Stand-by Service, subject to the changes directed in this Decision, effective the date of this Decision.

### ***Celgar Specific Issues***

In the Stage II Decision the Panel encouraged FortisBC and Celgar to negotiate and agree to the Three RS 37 Components, namely: RS 31 Contract Demand, Stand-by Demand Limit and Stand-by Billing Demand. The parties met twice in April 2015 but were not able to come to an agreement.

Based on the status reports filed with the Commission, and the Panel's rationale for the RS 37 design, the Panel sets Celgar's RS 31 Contract Demand at 3 MVA as it is the highest amount that Celgar requested and FortisBC agreed to provide. Both parties agree that Celgar's load is 45 MVA. Given the Panel's determination of Celgar's RS 31 Contract Demand as 3 MVA, the Stand-by Demand Limit is, therefore, set at 42 MVA.

Consequently, the only remaining component to be agreed to by parties, or determined by the Panel, is the Stand-by Billing Demand. To further facilitate the progress on negotiations, the Panel then makes additional determinations related to two matters.

### **Operating Reserves**

The issue of whether Celgar is providing an Operating Reserve service to FortisBC (and if so, how Celgar should be compensated) is determined to be out of scope of this proceeding. The second issue relates to the provision of Operating Reserve services by FortisBC to Celgar when Celgar is taking service under RS 37 and potential charges related to it. The Panel considers that this issue could be within scope of this proceeding but requires further clarification from the parties.

### **By-pass Options**

The Panel determines that it will not consider any by-pass options available to Celgar in the event it is required to set Celgar's Stand-by Billing Demand.

***FortisBC request for further process***

In its submission FortisBC pointed out that due to the evolution of the evidentiary record it requires an opportunity to address (i) issues that have arisen through the Stage II Decision (ii) issues that crystallized through the course of negotiations; and (iii) issues that may be raised by Celgar. The Panel agrees and determines that allowing FortisBC and Celgar an opportunity to make a further final submission on the Stand-by Billing Demand and providing FortisBC with an opportunity to reply would ensure procedural fairness is met. In addition, the Panel requests the parties to address specific list of issues related to Operating Reserves.

In conclusion, the Panel again urges the parties to negotiate and agree on this one last component, as a negotiated agreement would be preferable to the Commission. If the parties cannot reach an agreement, they are requested to advise the Commission on the outcome of the negotiations as part of the submissions made in accordance with the regulatory timetable provided in the order.

## 1.0 INTRODUCTION

### Stage I

On March 28, 2013 FortisBC Inc. (FortisBC or the Company) filed an application for approval of a new set of rates, including a Rate Schedule 37 Stand-by Service Rate (RS 37), for its transmission voltage customers (Original Application). The British Columbia Utilities Commission (Commission) issued its decision on the Original Application by Order G-67-14 (Stage I Decision) on March 26, 2014.

The Stage I Decision did not approve RS 37 as filed by FortisBC but it did make several determinations regarding the rate which were to set the foundation for the final rate. The Panel directed FortisBC to file with the Commission a revised RS 37 incorporating the findings in the Stage I Decision (Revised RS 37 Filing).

The Stage I Decision also addressed certain Zellstoff Celgar Limited Partnership (Celgar) issues. Specifically, the Panel directed FortisBC to file in conjunction with the Revised RS 37 Filing, an appropriate RS 31 Contract Demand and an appropriate Stand-by Contract Demand for Celgar.

### Stage II

On June 26, 2014, FortisBC submitted the Revised RS 37 Filing in compliance with Order G-67-14.

On March 24, 2015, the Panel issued its decision on the Revised RS 37 Filing by Order G-46-15 and attached Reasons (Stage II Decision). The Stage II Decision approved the form of RS 37 and established, among other things, the following three RS 37 components: (i) RS 31 Contract Demand; (ii) Stand-by Billing Demand (SBBB); and (iii) Stand-by Demand Limit (SBDL) (Three RS 37 Components) which are normally negotiated between the customer and FortisBC. However, the Commission's approval was subject to the Panel approving a penalty component to the rate which required the Commission to seek further submissions from the parties (Penalty Submissions) pursuant to Order G-46-15, Directive 3. The Panel also provided FortisBC with an opportunity to comment on the workability of the language directed by the Panel in the Stage II Decision (Language Submissions) pursuant to Order G-46-15, Directive 2.

In the Stage II Decision, the Panel urged FortisBC and Celgar to negotiate and agree to the Three RS 37 Components reflecting the principles outlined in the Stage II Decision and asked the parties to advise the Commission of the outcome of their negotiations.

The Panel stated in the Stage II Decision that it would issue a final determination on RS 37 after considering the Penalty and Language Submissions.

### Stage III

This Decision (Stage III Decision) addresses the Penalty and Language Submissions in compliance with Order G-46-15 and certain Celgar specific issues. The Stage I, II and III Decisions are meant to work in conjunction with each other.

## 2.0 PENALTY – COMPLIANCE TO ORDER G-46-15, DIRECTIVE 3

### 2.1 Background - Stage I and II Decisions

The Stage I and Stage II Decisions approved certain components of RS 37 including limits on the availability of RS 37 service. Specifically, Back-Up service is limited to 876 hours per calendar year in accordance with the notification requirements outlined in RS 37 Special Provision 4. Maintenance Service must be scheduled 30 days in advance and cannot exceed 6 occurrences and 60 days in a calendar year. Further, there is a general limit on the Maximum Level of Stand-by Service allowed under the rate.

In the Stage II Decision, the Panel determined that when a customer is taking service in excess of its allowed Maximum Level of Stand-by Service, or is not eligible for either Maintenance Service or Back-Up Service on the basis of the limits established in RS 37, the customer will be still deemed to be taking service under RS 37; however, a penalty will apply. Service taken under these conditions is known as a “Stand -by Penalty Period” and the conditions under which this service is provided is set out in Special Provision 7 to RS 37.

In the Stage II Decision, the Panel found that there was insufficient evidence on the record to determine what the appropriate penalty should be. In order to gather the appropriate evidence, the Panel provided the parties with an opportunity to make a Penalty Submission on a penalty proposed by the Panel which included both an Energy Charge and a Maximum Billing Demand penalty (Panel Proposed Penalty), or to propose an alternate penalty. The Commission also invited the parties to make submissions on any unusual or extreme circumstance under which the penalty would be waived.

The Panel Proposed Penalty:

**Energy Charge:**

In the hour, the customer will be billed for the Energy Charge under RS 37 except for Energy Charge (a) which shall be the greater of \$1,000, \$50/MWh or 150 percent.

**Maximum Billing Demand:**

Special Provision 3(a) of RS 37 which insulates the customer from being billed for the maximum demand during the billing period should not apply.

The Commission received submissions from FortisBC, the British Columbia Old Age Pensioners’ and Seniors’ Organization *et al.* (BCOAPO) and Celgar and a reply from FortisBC.

The Panel will address the penalty in the following sections:

- o Energy Charge: Section 2.2.1
- o Maximum Billing Demand: Section 2.2.2
- o Unusual or Extreme Circumstances: Section 2.2.3



## 2.2 Penalty Submissions

FortisBC submits that it is supportive of including a penalty provision in RS 37 and acknowledges that once a customer has contracted for a given level of service, excursions in load above the amount of power contracted for be discouraged and that this be accomplished by means of a financial disincentive. FortisBC states that the penalty should send a price signal to self-generating customers that will encourage such customers to negotiate the RS 31 Contract Demand and SBDL to reflect the customer's actual requirements and that in order to provide a real disincentive to exceeding the contractual supply limits, the penalty must be sufficiently high to cause financial discomfort to the customer in question. FortisBC added that the amount should be punitive but not unreasonably so.<sup>1</sup>

FortisBC further submits that while providing some clarification, FortisBC generally supports the Panel Proposed Penalty, and states: "FortisBC has examined tariffs offered by other utilities for similar services and finds that the suggested penalty is in substance consistent with many of those reviewed."<sup>2</sup>

BCOAPO submits that overall it agrees with FortisBC that the Panel Proposed Penalty should be approved and agrees with FortisBC regarding the circumstance under which it should be waived.<sup>3</sup>

Celgar provides unqualified support for the Panel Proposed Penalty; however, it submits that FortisBC's suggested clarification should not be adopted by the Commission.<sup>4</sup>

### 2.2.1 Energy Charge

#### 2.2.1.1 FortisBC submission

In regard to the Energy Charge component of the Panel Proposed Penalty, FortisBC states that other than providing clarifying language in the tariff it has no further suggestions.<sup>5</sup>

FortisBC proposes that Special Provision 7 should include clarifying language. In particular submitting that sample calculations, as provided by FortisBC, should be included in the tariff to illustrate specifically how the Energy Charge penalty is calculated. The sample calculations provided by FortisBC illustrate that the penalty applies to the full amount of energy taken in the Stand-by Penalty Period and is not limited to the incremental energy over what would normally have been allowed outside of a Stand-by Penalty Period.

#### 2.2.1.2 Celgar submission

Celgar submits that FortisBC's suggested qualification (i.e. that it applies to all the full amount of energy) should not be adopted by the Commission. In Celgar's view, the FortisBC qualification renders the Panel Proposed

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<sup>1</sup> Exhibit B-37, pp. 2-3.

<sup>2</sup> Ibid., p. 4.

<sup>3</sup> Exhibit C4-20, p. 3.

<sup>4</sup> Exhibit C2-33, p. 4.

<sup>5</sup> Exhibit B-37, p. 7.

Penalty unfair to self-generation customers, and inappropriately changes the balance of interests that was so carefully considered by the Commission.<sup>6</sup>

Celgar further submits that:

In Celgar's view the Proposed [Panel] Penalty was meant to, and should, only apply to energy that exceeds energy associated with the maximum level of demand under RS 31 and RS 37. In other words, the Proposed Penalty should only apply to energy that exceeds energy as associated with demand that FortisBC is required to provide under RS 31 and RS 37. Celgar submits that once FortisBC contractually commits to providing a certain level of energy and capacity, such energy and capacity should not be subject to the Proposed [Panel] Penalty.<sup>7</sup>

#### 2.2.1.3 FortisBC reply submission

FortisBC replies to Celgar's submission that the Proposed Panel Penalty should only apply to energy that exceeds energy associated with demand that FortisBC is required to provide under RS 31 and RS 37 stating "... Celgar's assertion ... is not consistent with the Commission's proposal." FortisBC provides the following evidence in support of its position:

In Section 5.4 of the Stage II Decision, the Commission indicates that when the penalty is in effect,

In the hour, the customer will be billed for the Energy Charge under this rate schedule except for Energy Charge (a.) which shall be the greater of \$1,000, \$50/MWh or 150 percent; and... [underline added]

There is no indication that the penalty will only be applied to a portion of the energy taken under the rate schedule.<sup>8</sup>

FortisBC further submits that:

The Company believes that the language proposed by the Commission is clear as to intent, but that the intent was not clearly captured in the calculation methodology of the energy charges generally, and that the specific calculations involved in the penalty ought to be included as suggested by the Company.

A penalty provision, by its nature, should actually be punitive, though as FBC noted in its April 9 filing, it does not believe it should be unreasonably so. From this perspective, and given the nature of what a penalty is, it makes sense that when a customer is in a penalty condition, all Stand-by Energy taken during a stand-by period is subject to a higher rate. If the penalty rate were only apply to what would naturally be a very small amount of power taken above the sum

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<sup>6</sup> Exhibit C2-33, p. 4.

<sup>7</sup> Ibid., p. 5.

<sup>8</sup> Exhibit B-40, p. 5.

of the RS31 Contract Demand and the Maximum Level of available Stand-by Service, it would amount to virtually no difference to the customer, and thus to no penalty at all.<sup>9</sup>

### Commission determination

First, the Panel wishes to highlight that nothing turns on the language provided in the Panel Proposed Penalty. The Panel simply provided it to give the parties a suggested penalty to consider. The Panel was clear that the parties were free to propose alternate penalties for consideration.

The Panel agrees with FortisBC that a penalty provision, by its nature, should be punitive but, does not believe it should be unreasonably so. From this perspective, and given the nature of what a penalty is, the Panel finds that it is appropriate that when a customer is taking service during a Stand-by Penalty Period, all the energy taken would be subject to the higher rate.

The Panel has already approved a reasonable level of Back-Up Stand-by Service (876 hours per annum or 10 percent of total hours per year); therefore, a customer should reasonably be able to avoid incurring a penalty if it has appropriately negotiated its RS 31 Contract Demand and its SBDL. In light of this, the Panel considers that the purpose of the Energy Charge penalty should be to discourage unauthorized use and not to merely generally reflect FortisBC's incremental energy costs.

**For these reasons, the Panel directs that the penalty under Special Provision 7 will apply to all energy taken during a Stand-by Penalty Period; however, the Panel wishes to clarify that the penalty will not apply to any energy taken under the RS 31 Contract Demand given that such is not Stand-by Energy. The Panel determines the Panel Proposed Penalty relating to the Energy Charge is acceptable as no parties have taken exception to it. Further, the Panel agrees with FortisBC that the penalty language in the tariff should be explicit enough to be clear and not ambiguous and should include the sample calculations as provided by FortisBC.**

**The Panel finds that Special Provision 7 should include the following Energy Charge penalty:**

*In a Stand-by Penalty hour:*

- a. *RS 37 Energy Charges (i) is to be replaced with:*

*The hourly per kWh price for the hour in which the Stand-by Energy is taken by the Customer is the greater of:*

- i. *\$1,000*
- ii. *\$50/MWh calculated as:*  

$$((\text{Stand-by Energy} \times (1 + \text{loss rate \%})) \times (.05 + 0.0040)) * 1.10$$
- iii. *150 percent of the energy charge that would have resulted under the calculation of RS 37 Energy Charge (i) in this rate schedule calculated as:*  

$$(((\text{Stand-by Energy} \times (1 + \text{loss rate \%})) \times ((\text{Mid-C} \times 1.5) + 0.0040))) * 1.10$$

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<sup>9</sup> Exhibit B-40, p. 4.

## 2.2.2 Maximum Billing Demand

### 2.2.2.1 FortisBC submission

FortisBC is also supportive of the Panel's Proposed Penalty relating to the Maximum Billing Demand. FortisBC submits that:

Special Provision 3(a) has the effect of preventing the maximum demand recorded while taking service during a period of stand-by service from being used in the calculation of Billing Demand in RS 31. As such, were the penalty provision in effect [under the Panel Proposed Maximum Billing Demand Penalty], the maximum demand recorded while taking service during a period of stand-by service would be used in the calculation of Billing Demand [in RS 31]. The Company further understands that this maximum demand will not be used to determine Billing Demand based on a ratchet in a future billing period.<sup>10</sup>

### 2.2.2.2 Celgar submission

Celgar submits that the Maximum Billing Demand applied to RS 31 should be limited to the excess demand and not the total demand in that hour.

Celgar submits that:

...when Special Provision 7 applies, charges...will include both penalties on hourly Mid-C prices, which 'account' for demand charges by function of the energy charges being based on the spot-market, and RS 31 demand charges.<sup>11</sup>

Celgar further submits that:

In almost all circumstances currently contemplated by Celgar, it will be in Celgar's economic interests to stop production before Special Provision 7 applies. Moreover, given the magnitude of the penalty, Celgar will likely exercise caution and stop production some time before Special Provision 7 might apply.<sup>12</sup>

### 2.2.2.3 BCOAPO submission

BCOAPO agrees with FortisBC that the penalty should provide a real incentive for customers to: i) negotiate appropriate RS 31 Contract Demand and SBDL and ii) operate within their contracted supply limits.<sup>13</sup>

However, BCOAPO requested further clarification from the Commission regarding the application of Special Provision 3(a). BCOAPO acknowledges that FortisBC has suggested adding additional language to clarify that the

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<sup>10</sup> Exhibit B-37, p. 5.

<sup>11</sup> Exhibit C2-33, p. 5.

<sup>12</sup> Ibid.

<sup>13</sup> Exhibit C4-20, p. 2.

maximum demand under a Stand-by Penalty Period will not set a ratchet that will be used in the calculation of RS 31 Billing Demand in future billing periods; however, BCOAPO also notes that it may have been the Panel's intention that the ratchet did in fact apply to future billing periods and requests Commission clarification on this issue.<sup>14</sup>

#### 2.2.2.4 FortisBC reply submission

FortisBC acknowledges BCOAPO's comments regarding whether or not the ratchet did in fact apply to future billing periods and submits that it would be in agreement with either interpretation.<sup>15</sup>

#### Commission determination

All parties agree that the protection afforded by Special Provision 3(a)<sup>16</sup> should not apply during a Stand-by Penalty Period. However, Celgar considers that the protection should only apply to the excess demand and not the total demand in that hour. **For the same reasons as provided in determining the appropriate Energy Charge penalty, the Panel disagrees with Celgar and determines that the maximum demand recorded during a Stand-by Penalty Period, and not just the excess, will be used in the current billing period's calculation of the RS 31 Billing Demand.**

**In regard to clarification regarding whether the maximum demand recorded during a Stand-by Penalty Period will set a ratchet that will be used in the calculation of RS 31 Billing Demand in future billing periods or not, the Panel determines that it will not apply in future billing periods.** As stated previously, the Panel finds that the penalty provision should be punitive but not unreasonably so. From this perspective, and given the nature of what a penalty is, the Panel finds that applying the maximum demand recorded during a Stand-by Penalty Period to future billing periods would be unreasonably punitive.

**Accordingly, the Panel finds that Special Provision 7 should include the following Maximum Billing Demand penalty:**

*In a Stand-by Penalty hour:*

- b. *Special Provision 2 does not apply. The maximum demand recorded in the hour during a Stand-by Penalty Period will be used in the calculation of Billing Demand in RS 31 but will not set a ratchet that will be used in the current billing period's calculation of Billing Demand under RS 31 in future billing periods.*

The Panel notes that due to further housekeeping changes to the RS 37 tariff pages set out in Section 3.1.2.1 of this Decision the numbering of Special Provision 3(a) has changed to Special Provision 2.

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<sup>14</sup> Exhibit C4-20, p. 3.

<sup>15</sup> Exhibit B-40.

<sup>16</sup> Numbering of Special Provision 3.1 changed to Special Provision as determined in Section 3.1.3 of this Decision.

### 2.2.3 Unusual or Extreme Circumstances

In accordance with Special Provision 7, there are three circumstances which could cause a customer to enter into a Stand-by Penalty Period:

- o taking service in excess of its RS 31 Contract Demand plus the Maximum Level of Stand-by Service; or
- o not eligible for Maintenance Service due to the restrictions defined in RS 37; or
- o not eligible for Back-Up Service due to the restrictions defined in RS 37.

The Panel will first address which of these circumstances are considered extreme or unusual circumstances in Section 2.2.3.1 and will then address what exclusions apply to those circumstances in Section 2.2.3.2.

#### 2.2.3.1 Circumstances

With regard to the circumstance under which the penalty could be waived, FortisBC notes that the penalty comes into effect under three circumstances:

1. Where the customer's demand exceeds the sum of the customer's RS 31 Contract Demand and Maximum Level of Stand-by Service.
2. Where the customer has exceeded its allotment of 876 hours per calendar year of Back-Up supply.
3. Where the customer fails to provide notification for Back-Up service as per Special Provision 4 of RS 37.

FortisBC submits:

...that exclusion to the penalty provision should be provided in extreme or unusual circumstances in the cases numbered 2 and 3 above, but not in case number 1. In case number 3, the extreme or unusual circumstance may prevent the customer from providing notice within the required timeframe for a single occurrence. In case number 2, the extreme or unusual circumstance may cause the customer to require Stand-by service that in the absence of the extreme or unusual circumstance it would not require and consume available hours of the Stand-by allotment thereby causing the customer to enter into a prolonged period of service pursuant to the penalty.

No exclusion should be provided in case number 1 as the root cause of the penalty is not extreme or unusual circumstance, but rather is the fact that the Stand-by Demand Limit has been set below the level required to serve the customer's load in the event of a generation failure.<sup>17</sup>

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<sup>17</sup> Exhibit B-37, p. 8.

BCOAPO submits:

...that it agrees with FBC regarding the circumstances under which the penalty should be waived. Specifically, for the reasons given by FBC, a penalty should not be waived merely because a customer has contracted for insufficient supply to meet its load. Waiving the penalty in such circumstances is contrary to the purpose and weakens the effect of having a penalty.<sup>18</sup>

In regard to the circumstances under which the penalty would be waived Celgar does not agree that the extreme or unusual circumstances should be limited to certain situations as proposed by FortisBC.<sup>19</sup>

### Commission determination

In regard to a Stand-by Penalty Period being triggered when a customer requires service is in excess of its RS 31 Contract Demand plus the Maximum Level of Stand-by Service the Panel agrees with FortisBC that requiring excess services under these circumstances would be caused by the SBDL being set below the level required to serve the customer's load in the event of a generation failure. The Panel also agrees with BCOAPO's characterization that a penalty should not be waived merely because a customer has contracted for insufficient supply to meet its load. Waiving the penalty in such circumstances is contrary to the purpose and weakens the effect of having a penalty. **As such, the Panel finds no reason why the penalty should be waived in any circumstance where the customer's demand exceeds the sum of the customer's RS 31 Contract Demand and Maximum Level of Stand-by Service available under RS 37.**

The Panel also notes that there would not be a circumstance, nor has anyone identified such a circumstance, where the penalty should be waived in regards to Maintenance Service. **Therefore, the Panel finds no reason why the penalty should be waived in any circumstance where the customer is off side with the Maintenance restrictions set out in RS 37.**

**Therefore, the Panel determines that the potential to have the penalty waived is only be applicable to Back-Up Service consistent with what has been identified by FortisBC as case numbers 2 and 3.**

2. Where the customer has exceeded its allotment of 876 hours per calendar year of Back-Up supply; or
3. Where the customer fails to provide notification for Back-Up service as per Special Provision 4 of RS 37.

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<sup>18</sup> Exhibit C4-20.

<sup>19</sup> Exhibit C2-33, Appendix A.

### 2.2.3.2 Exclusions

Fortis BC submits:

- a. The extreme or unusual circumstances should mirror those that already appear in the force majeure provision in the Company's approved tariff, Section 11.4, and must occur in such a way as to limit the self-generation of the customer.<sup>20</sup>
- b. In addition, penalty charges should be waived in the case where a temporary reduction in customer generation occurs as an automated response to a FBC system issue that takes the customer generation off-line but the loss of customer generation was beneficial to help preserve system reliability.<sup>21</sup>

BCOAPO also submits that:

...there is no reason (other than that noted in FBC Submission...namely when a reduction in customer generation occurs as an automated response to an FBC system issue) why extenuating circumstances should be defined any differently than as would apply under other applications of the Company's tariff as set out in the approved force majeure provision.<sup>22</sup>

Celgar submits that it does not agree with FortisBC's limited application of 'What' would constitute an extreme or unusual circumstance. Celgar submits that:

The application of the Proposed Penalty should not extend to circumstances in which Celgar has prudently operated the generation plant and incurred costs arising from the loss of generation output. Adopting the same approach as advocated by FortisBC with respect to its PBR Plan, all losses of generation output outside of the control of management are by definition prudently incurred costs. Celgar respectfully submits that the requirements of Celgar to operate its generation should be no more stringent than those that apply to FortisBC. For that reason, the Proposed Penalty should not apply in circumstances that are beyond the control of Celgar.<sup>23</sup>

Celgar goes on to provide a list of five very broad items where the penalty would not apply and provided the following draft tariff language to reflect its position:<sup>24</sup>

The Company will waive the penalty in the event of extreme or unusual circumstances or events beyond the reasonable control of the customer, leading to shut-down or curtailment of generation output including, without limitation, any of: (i) economic circumstances leading to business operation shut-down or curtailment; (ii) safety related shutdowns or curtailments of generation output; (iii) unexpected equipment failure not caused by intentional failure to maintain; (iv) damage to plant or equipment from fire, explosion, the elements, sabotage, earthquake, insurrection, war, flooding or other act of god or natural disaster; and (v) business operation or generation output shut-down or curtailment resulting from strike, lock-out or other work stoppage (the "**Waiver Events**").

<sup>20</sup> Section 11.4 includes the following extreme or unusual circumstances: ...damage to its works from fire, explosion, the elements, sabotage, act of God or the 31 Queen's enemies or from insurrection, strike, or difficulties with workmen...

<sup>21</sup> Exhibit B-37, p. 8.

<sup>22</sup> Exhibit C4-20, p. 3.

<sup>23</sup> Exhibit C2-33, p. 7.

<sup>24</sup> Ibid., Appendix A.



In regard to FortisBC's exclusion b., Celgar submits that ...in the situation of a temporary reduction in customer generation that occurs as a response to a FortisBC system issue, the exclusion should not be limited to "when the loss of customer generation was beneficial to help preserve system reliability" as suggested by FortisBC.<sup>25</sup>

In regard to the five circumstances identified by Celgar, FortisBC submit that:

Back-Up service is intended to apply in cases where there is an unscheduled outage to customer generation. Such outages may occur whether or not a customer such as Celgar "*has prudently operated the generation plant*", or whether they are, "*...beyond the control of Celgar.*"<sup>26</sup>

"Turning to the examples cited by Celgar, certainly, '*...a safety issue such as a water leak in the recovery boiler and operations is executing an emergency shutdown of the boiler...*' or, '*...a catastrophic failure of a piece of equipment that causes a loss of generation...*' are precisely why the customer has contracted for the availability of Stand-by Service."<sup>27</sup>

FortisBC comments on Celgar's proposed language submitting that it "is far more likely to require further Commission involvement in settling whether or not exclusion to the penalty provision is warranted on any given occasion in the future."<sup>28</sup>

### **Commission determination**

In regard to the five circumstances identified by Celgar and its suggested tariff language, Celgar's point (i) has been addressed by FortisBC and is discussed by the Panel below. In regards to points (ii), (iii) and (v), the Panel agrees with FortisBC that these are events consistent with the nature of Back-Up Stand-by Service and are not unusual or extreme events. The discount on the stand-by wires charge (SBBD) compared to full service customers reflects occasional network use by self-generating customers resulting from generator outages and maintenance. The Panel finds that items (ii), (iii) and (v) on Celgar's list are reflective of this occasional use, and so are not considered unusual or extreme circumstances for the purpose of determining if the penalty should be waived.

Further, the Panel does not consider that item (iv) on Celgar's list reflects occasional network use due to generator outages and maintenance. However, this does not mean that it should be considered an unusual or extreme circumstance for the purpose of determining if the penalty should be waived. Where a customer is requesting temporary service from FortisBC to assist in a mill start-up, the nature of this service is temporary service rather than stand-by service. FortisBC should treat Celgar in a consistent manner with other customers requesting temporary service. This type of service should therefore not be considered an unusual or extreme event for the purpose of determining the penalty.

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<sup>25</sup> Exhibit B-37, p. 8.

<sup>26</sup> Exhibit B-40, p. 7.

<sup>27</sup> Ibid., p. 8.

<sup>28</sup> Ibid., p. 7.

FortisBC proposes that the penalty be waived under two circumstances a) *force majeure* provision as set out in FortisBC's approved tariff, Section 11.4; and b) where a temporary reduction in customer generation occurs as an automated response to a FortisBC system issue.

In regard to FortisBC's proposed a) exemption the Panel agrees with FortisBC and BCOAPO that extenuating circumstances should be defined as they would apply under other applications of the FortisBC's tariff as set out in the approved *force majeure* provision. In regard to FortisBC's proposed b) exemption, the Panel agrees that the penalty should be waived in situations where a temporary reduction in customer generation occurs as an automated response to a FortisBC system issue and Celgar also agrees. However, as Celgar has appropriately pointed out FortisBC has qualified this event by requiring that the loss of customer generation has to have been beneficial to help preserve FortisBC's system reliability. The Panel agrees with Celgar that this further restriction is not fair. If FortisBC's system causes a customer to require Back-Up service the customer's generation should not have to have been beneficial to FortisBC in order to have the penalty waived.

**The Panel determines that the penalty will be waived when Back-Up Service is taken in excess of the calendar year hourly limit or when Special Provision 4 has been violated under the following circumstances:**

- **an extreme or unusual circumstance as identified in the *force majeure* provision in FortisBC's approved tariff, Section 11.4 limits the self-generation of the customer; or**
- **a temporary reduction in customer generation, as a response to a system issue on FortisBC's system, which takes the customer's generation off-line.**

**The Panel finds the following language should be included in Special Provision 7:**

*When Back-Up Service is taken in excess of the calendar year hourly limit or when Special Provision 4 has been violated the Company will waive the penalty under the following circumstances:*

- a. An extreme or unusual circumstance as identified in the force majeure provision in the Company's approved tariff, Section 11.4 limit the self-generation of the Customer; or*
- b. A temporary reduction in customer generation, as a response to a system issue on the Company's system, which takes the Customer's generation off-line.*

#### 2.2.3.3 Timing of events

Celgar submits that:

...in each such circumstance, the event that caused the generation interruption should be recognized if it happened at any time in the year, regardless of when the consequences occur. For instance, if the event occurred in the first month of the year and the Proposed [Panel]

Penalty would otherwise apply due to accumulation sometime later in the year, such later trigger should not attract the Proposed [Panel] Penalty. A penalty should not apply to an event that would not have attracted the penalty but for an earlier event that was not within the control of the customer.<sup>29</sup>

Celgar also provided draft tariff language to reflect its position.<sup>30</sup>

### **Commission determination**

The Panel acknowledges Celgar's concern regarding the timing of an event that results in the penalty being waived and notes that FortisBC in its reply submission did not comment on Celgar's concern.

**The Panel agrees with Celgar's position; however, the Panel does not approve the language as suggested by Celgar. Rather, the Panel directs FortisBC to include language in Special Provision 7 to ensure that, when determining if the penalty should be waived, the event which caused the generation interruption is recognized if it happened at any time in the year, regardless of when the consequences occur.**

#### **2.2.3.4 Use of the word "may"**

Celgar further submits that FortisBC's use of the word "may" in Special Provision 7 is not appropriate and should be replaced with "will."<sup>31</sup>

FortisBC submits in its reply that "...the Company's use of 'may' in drafting of the Special Provision was not done with any intent to reduce the opportunity for a customer to seek an exclusion. FBC has no objection to 'shall' or 'will' being used in place of 'may'..."<sup>32</sup>

### **Commission determination**

**The Panel agrees with Celgar that the rate schedule should read "shall" or "will" and notes that FortisBC has no objection to this change. Therefore, the Panel finds that Special Provision 7 is to include "will" instead of "may."**

## **2.3 Celgar's request for further process**

By way of Order G-46-15, the Commission established a regulatory timetable for the filing of the Penalty Submissions. The regulatory timetable provided for FortisBC to make a submission and then allowed the interveners a further week to make their submission in consideration of FortisBC's submission. FortisBC was provided an opportunity to reply.

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<sup>29</sup> Exhibit C2-33, p. 7.

<sup>30</sup> Ibid., Appendix A.

<sup>31</sup> Exhibit C2-33, Appendix A.

<sup>32</sup> Exhibit B-40, pp. 6-7.

Celgar submits that:

Nevertheless, notwithstanding the above concerns, Celgar accepts the Proposed Penalty (in the form proposed by the Commission) as it represents a good faith attempt to resolve one of Celgar's many impasses with its utility. However, Celgar would like the opportunity to request further consideration of the Proposed Penalty by the Commission, and to provide more in-depth submissions, in the event that the Commission is considering applying the amended penalty provision to energy, or to exceptional or unusual circumstances, in the manner proposed by FortisBC.<sup>33</sup> [underline added]

### **Commission determination**

**The Commission denies Celgar's request for further process given that Celgar already had an opportunity to respond to FortisBC's proposed penalty and should not be entitled to reserve the right for further consideration once the Commission has made its determination.**

### **3.0 LANGUAGE - COMPLIANCE TO ORDER G-46-15, DIRECTIVE 2**

Appendix A of the Stage II Decision included draft RS 37 tariff sheets reflecting the language directed in that Decision. Given the extent and nature of the directed changes, the Panel determined that FortisBC should be given an opportunity to comment on the final RS 37 directed language, and to propose alternate language if it finds it to be unworkable. The Panel stressed that the language directed in RS 37 may be subject to change but the content and intent thereof was determinative.

On April 14, 2015, FortisBC filed its comments on the draft RS 37 tariff language (Language Submission). The Panel addressed FortisBC's submission and associated language relating to Special Provision 7 (penalty) in Section 2.0 of this Decision and will not address it further. The Language Submission also included a final version of Rate Schedule 31 (RS 31) amended for the Stage II directives as well as a copy of a draft General Service Agreement (draft GSA). Celgar in its Penalty Submission also included revision to the form of RS 37.<sup>34</sup>

The Panel will address Compliance to Order G-46-15, Directive 2 in the following sections:

- o Language Submissions: Section 3.1
- o Final approval for RS 31: Section 3.2
- o Draft General Service Agreement: Section 3.3

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<sup>33</sup> Exhibit C2-33, p. 6.

<sup>34</sup> Ibid., p. 8.

### 3.1 Language Submissions

#### 3.1.1 Celgar's requested revisions

In response to Celgar's revision to the form of RS 37, FortisBC, in its Reply Submission to the Penalty, stated the following:

Celgar has taken the opportunity to also provide comment on the Commission's draft RS 37 beyond the penalty provision.... It follows that the Company believes that the edits suggested by Celgar in these matters are not necessary, and are also inappropriate given the required submissions as laid out in the regulatory timetable.

This being said, with respect to the substance of Celgar's suggestion that RS 31 charges be billed according to actual metered RS 31 consumption in a portion of an hour...FBC has no particular objection. This can be accomplished with existing metering. Therefore, the small changes this would prompt to the RS 37 rate schedule (by adding 'or metered portion thereof', where required in the Energy Charges section) are reasonable.<sup>35</sup>

#### **Commission determination**

The Panel observes that, though uninvited to do so, Celgar took the opportunity to suggest revisions on the Commission's RS 37 language beyond the penalty provision. However, the Panel also notes that FortisBC has no particular objection to RS 37 including language that establishes energy charges be billed according to actual metered consumption "in a portion of an hour." FortisBC has confirmed that this can be accomplished with existing metering and no other party objected to adding this additional language.

**Therefore, the Panel directs FortisBC to reflect in the RS 37 tariff sheets that RS 31 charges be billed according to actual metered RS 31 consumption in a portion of an hour. The Panel has not considered any other revisions suggested by Celgar as neither Celgar, nor any other intervener, were invited to make such comments.**

#### 3.1.2 FortisBC's requested revisions

FortisBC in its Language Submission states that the comments it provides, and the edits it is suggesting to the Draft RS 37 are intended only to clarify and enhance the practicality of the rate schedule for billing purposes. FortisBC took the approach of providing comments by embedding them in a black lined version of the rate schedule (Revised RS 37).

##### 3.1.2.1 Housekeeping revisions

The Panel reviewed the FortisBC's Revised RS 37 and notes that the majority of the revisions are housekeeping in nature; however, the Panel finds that the changes relating to the Energy Charge are more substantive in nature and has therefore addressed those separately in Section 3.1.2.2.

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<sup>35</sup> Exhibit B-40, p. 8.

## Commission determination

In regard to FortisBC's proposed housekeeping revisions, the Panel approves the following:

- Moving the definition of Back-Up Service and Maintenance Service to the Definition section;
- Adding the definition for a Stand-by Period to the Definition section;
- Adding in a definition for Customer to the Definition section and capitalizing the term throughout;
- Adding 'in any hour' to the definition of Maximum Level of Stand-by Service;
- Changing 'rate' to 'rate schedule' where necessary;
- Adding language to the Stand-by Demand Limit definition and the Stand-by Billing Demand to be consistent with the Stage II Decision and other parts of RS 37;
- Changing Commission to BCUC;
- Adding "RS 37" in front of the Energy Charge for clarity; and
- Various minor formatting changes.

Appendix A of this Decision includes a sample RS 37 tariff reflecting the approved housekeeping revisions which have been made to the draft tariff included in the Stage II Decisions. The Panel directed language changes to RS 37 made in Sections 2.2.3.3 and 3.1.1 are not reflected in Appendix A given that the Panel has directed FortisBC to draft that language.

### 3.1.2.2 Energy Charge revisions

FortisBC proposes some more substantial changes and clarification formulae to the Energy Charge section of RS 37. FortisBC states that the changes, both in the language and the formulae, are intended to remove ambiguity and clarify exactly how charges are to be assessed.

FortisBC further states that:

Energy Charges during a Stand-by Period may include both RS 31 and RS 37 charges. This distinction has been made in concert with the expanded energy charge formula to clarify how energy charges are determined for a stand-by customer.<sup>36</sup>

## Panel determination

Although FortisBC's interpretation does not impact the application of the rate for billing purposes the Panel wishes to clarify that service taken up to a customer's RS 31 Contract Demand is not considered to occur within a Stand-by Period. **For this reason, the Panel directs that RS 37 include language to clearly articulate that service taken up to a customer's RS 31 Contract Demand is not considered to occur within a Stand-by Period.**

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<sup>36</sup> Exhibit B-38, Appendix A.

Further, when addressing this matter, the Panel identified the following additional confusion regarding the application of RS 31 and RS 31 Contract Demand.

Special Provision 1 states that “A Customer taking service under this rate schedule must also be contracted to receive service under RS 31. Net Metering Customers are not eligible for Stand-by Service.” **The Panel determines that this is not a special provision of RS 37 but rather defines who is eligible to take service under this rate. As such the language should be stated under the Availability section of RS 37 and not under the Special Provision section.**

Further, the Panel notes that in the Stage II Decision it directed FortisBC to include a definition of RS 31 Contract Demand in RS 37. FortisBC commented in its Language Submission that “Reference to RS 31 in relation to the Contract Demand are not needed as the Contract Demand is a contractual item that resides in the General Service Agreement between the Customer and FortisBC.”<sup>37</sup> FortisBC requests that the RS 37 uses ‘Contract Demand’ and not ‘RS 31 Contract Demand’ as proposed by the Panel.

The Panel notes FortisBC’s request but finds that Contract Demand should include RS 31 in from of it for clarity. However, the Panel also note that RS 31 Contract Demand is not a concept that originates out of RS 37 and for that reason should not be included in the Definition section of RS 37. **Therefore, the Panel finds that the definition for RS 31 Contract Demand should be moved to the Availability section of RS 37.**

**In summary, the Panel finds that the Availability section of RS 37 should include the following language:**

*Stand-by Service is only available to a Customer contracted to receive service under Rate Schedule 31.*

*RS 31 Contract Demand is the Customer’s Contract Demand expressed in kilovolt Amperes (kVA) and specified in the General Service Agreement (GSA) between the Company and the Customer. If the Customer and the Company cannot come to an agreement, the RS 31 Contract Demand will be set by BCUC.*

*Service taken up to a Customer’s RS 31 Contract Demand is not considered to occur within a Stand-by Period.*

Given the clarification that service taken up to a Customer’s RS 31 Contract Demand is not considered to occur within a Stand-by Period the language that FortisBC recommended be added to the RS 37 Energy Charge and the clarifying formulae are redundant and therefore not necessary.

**In summary, the Panel finds that the RS 37 Energy Charge section should include the following language which provides the clarity required by FortisBC on how the Energy Charge is calculated while at the same time simplifying the rate schedule.**

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<sup>37</sup> Exhibit B-38, Appendix A.

*The hourly charge is calculated as:*

$$RS\ 37\ Energy\ Charge = ((Stand\text{-}by\ Energy \times (1 + loss\ rate\ \%)) \times (Mid\text{-}C + 0.0040)) * 1.10$$

*Where “Stand-by Energy” refers to the energy delivered during the Stand-by Period.*

#### Scenarios:

- a. *In any hour all energy delivered up to or below the RS 31 Contract Demand is not Stand-by Energy and is billed under RS 31.*
- b. *In any hour if a Customer’s demand exceeds the RS 31 Contract Demand, but the demand in excess of the RS 31 Contract Demand is less than the Maximum Level of Stand-by Service then:*

$$Stand\text{-}by\ Energy = total\ consumption - RS\ 31\ Contract\ Demand\ consumption$$

- c. *In any hour if a Customer’s demand exceeds the RS 31 Contract Demand plus the Maximum Level of Stand-by Service allowed, service will be charged in accordance with Special Provision 7.*

#### 3.1.3 Panel directed housekeeping revisions

In reviewing the Revised RS 37 tariff pages filed by FortisBC and in light of the determinations made in this Decision, the Panel has identified further housekeeping changes it determines are necessary to make.

The Panel has taken the same approach as FortisBC and provided its reasons for each of the housekeeping revisions by embedding them in comments in the blacklined version of a sample RS 37 include in Appendix A of this Decision. Appendix A also includes a clean version.

### **3.2 Final approval for Rate Schedule 31**

The Stage II Decision directed FortisBC to amend Electric Tariff RS 31 “Billing Demand” to include a billing determinant that incorporated the Panel’s RS 37 directed SBBB.<sup>38</sup> FortisBC’s Language Submission included a final version of RS 31 revised to reflect the Stage II directive.<sup>39</sup>

The Panel accepted and approved as final the RS 31 tariff pages filed in the Language Submission with a small amendment to remove the numbering of the directed SBBB ratchet to make it clear that it was not included in ratchets “the greatest of” calculation.

### **3.3 Draft General Service Agreement**

FortisBC’s Language Submission also included a copy of a draft GSA to be negotiated between the customer and FortisBC. FortisBC included Term 7 in the draft GSA which sets out the Operating Reserves required on a customers’ generation if they are taking service under RS 37.

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<sup>38</sup> Stage II Decision, p. 24.

<sup>39</sup> Exhibit B-38, p. 2.



Specifically, Term 7 of the draft GSA states: If the Customer is taking service under Rate Schedule 37, the Customer must provide Operating Reserves on its generation in an amount equal to the STAND\_BY DEMAND LIMIT.<sup>40</sup>

FortisBC states that the subject of Operating Reserves was introduced into the discussion by Celgar in its evidentiary filing of September 8, 2014, and was the subject of a number of Information Requests; however, the Stage II Decision made no determinations on the subject. The proposed language reflects the fact that Operating Reserves are currently held by Celgar.<sup>41</sup>

Celgar submits that the filing of the draft GSA which includes language relevant to Operating Reserves raise issues that are beyond the defined scope of the requested submissions. "Issues relating to Operating Reserves were first raised by Celgar for consideration in the Stage II Decision proceedings - however, such issues were not contemplated by the Commission to be within the scope of the current process..."<sup>42</sup>

Celgar goes on to explain in detail why it objects to the inclusion of Term 7 as drafted by FortisBC and provides alternate language. Celgar concludes by stating that "...the Stage II process does not mandate that the GSA be finalized immediately and, in fact, such result is not possible until the Three [RS 37] Components are agreed upon or otherwise resolved."<sup>43</sup>

FortisBC replies to Celgar's submission stating:

Celgar's April 17 submission includes a discussion of Operating Reserves as they apply to customers with self-generation. The Company notes that the draft General Service Agreement (**GSA**) that was included along with its comments on the Commission's draft RS 37 is a generic document largely based on the existing version currently in use for Commercial Customers. The Operating Reserves clause was added to the GSA because the Operating Reserves will become a necessary topic for discussion during the finalization of a GSA with any self-generating customer. The draft GSA was not intended to reflect a GSA specific for Celgar.

### **Commission determination**

The Panel agrees with Celgar that the draft GSA which includes language relevant to Operating Reserves raises issues beyond the defined scope of the requested submission. Further, the Panel notes that FortisBC has not requested any approvals or other course of action on the Commission's part in regards to the draft GSA. Therefore, the Panel makes no determination on the draft GSA and advises FortisBC that if it seeks approval for a generic GSA it must file a separate application with the Commission which will be reviewed on its own merits. On the issue of Operating Reserves as they relate to Celgar the Panel addresses this further in Section 5.2.1 of the Decision.

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<sup>40</sup> Ibid., Appendix 5, Term 7.

<sup>41</sup> Exhibit B-38, p. 2.

<sup>42</sup> Exhibit C2-33, p. 2.

<sup>43</sup> Ibid., p. 3.

#### **4.0 FINAL APPROVAL FOR RATE SCHEDULE 37 AND REQUIRED COMPLIANCE FILING**

In the Stage I Decision, the Commission declined to approve RS 37 as applied for in the Original Application. The Stage II Decision ordered that the form of RS 37, other than defining the penalty, was approved subject to the changes directed in that decision and subject to the directed tariff language being workable to FortisBC.

**The Panel has now approved the penalty and finalized the RS 37 language. Therefore, effective the date of this Decision, Rate Schedule 37 Stand-by Service (RS 37) is approved subject to the changes directed in this Decision.**

**FortisBC is directed to file amended RS 37 tariff sheets within 15 business days of the date of this Decision.**

#### **5.0 CELGAR SPECIFIC ISSUES**

Celgar is a customer of FortisBC and operates a pulp mill at Castlegar, B.C. (the Mill). FortisBC and its predecessor companies have served the electricity needs of Celgar and its predecessors since 1959. Under most circumstances Celgar's load is satisfied by Celgar's 52 MW turbo generator. The Mill generates the steam it uses for its operations, including electricity generation, by burning wood waste and black liquor, a by-product of the pulp-making process.<sup>44</sup>

The full background and context regarding the service provided by FortisBC to Celgar is included in section 3.1 of the Stage I Decision. The highlights, starting in 2000, are summarized in Appendix B of this decision.

However, of most relevance is the Decision on the FortisBC 2009 Rate Design Application where the Commission directed FortisBC to provide Celgar service under RS 31 effective January 2, 2011, and recommended that FortisBC and Celgar reconsider the options available for designing a practical and workable rate schedule for Celgar.

Later in 2011, Celgar filed a complaint with the Commission regarding how FortisBC was applying RS 31 demand charges and the failure of FortisBC and Celgar to complete a GSA. The Commission put Celgar on RS 31 on an interim basis, beginning March 25, 2011, and directed FortisBC to design a stand-by rate.

##### **5.1 Stage II Decision**

Stand-by Rate RS 37 describes the terms and conditions under which a customer with self-generator will be able to call upon FortisBC service to replace its self-generation output during times when its generation is unavailable or operating at less than normal capacity.

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<sup>44</sup> Stage I Stand-by Rates Decision, May 26, 2014, pp. 19-20.

In the Stage II Decision, the Panel determined the following three key components (Three RS 37 Components) of the Stand-by Rate:

**RS 31 Contract Demand:** the maximum level of full service that a customer is eligible for under RS 31.

**Stand-by Demand Limit (SBDL):** the maximum capacity, in excess of the RS 31 Contract Demand, that FortisBC is required to supply under RS 37 (not a billing determinant).

**Stand-by Billing Demand (SBBD):** a billing determinant used for billing the Wires Demand Charges under RS 31 and set between 0 and 100 percent of the SBDL.

In the Stage II Decision the Panel noted that the Three RS 37 Components are normally negotiated and agreed to between FortisBC and its customers and would be expected to be set out in the customers' GSA but in the event that an agreement cannot be reached the Commission would set them.

The Panel also encouraged FortisBC and Celgar to negotiate and agree to the Three RS 37 Components and noted that a negotiated agreement would be substantially preferable than the Commission being required to rule on the components.

## 5.2 April 2015 Negotiations

On April 24, 2015, both FortisBC and Celgar filed a status report on the progress of the parties' positions in the negotiations.<sup>45</sup> The reports state that the parties met on April 20, 2015, and again on April 22, 2015, but were not able to reach a negotiated resolution.

While the most significant difference remains in regards to the SBBD there was an agreement on the maximum Mill load. Further, as expected, both parties agreed that the sum of the RS 31 Contract Demand and SBDL equals the maximum Mill load.

In the Stage I Decision, the Panel suggested that Stand-by Contract Demand in RS 37 should be established between the customer and the utility at an amount somewhere between zero and 100 percent of the RS 31 Contract Demand. In the Stage II Decision, due to the introduction of a new RS 37 concept, this billing determinant is now expressed as SBBD which is established somewhere between zero and 100 percent of the SBDL.

The following table summarizes the negotiating positions adopted by FortisBC and Celgar. The percentages shown at the bottom of the table represent SBBD relative to the SBDL. Of outmost interest to the parties and the Commission is the resultant discount also shown in the last line of the table.

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<sup>45</sup> Exhibit B-39, Exhibit C2-34.

**FortisBC and Celgar Negotiating Positions**

	<b>FortisBC<sup>46</sup> Opening</b>	<b>FortisBC Revised</b>	<b>Celgar<sup>47</sup> Opening</b>	<b>Celgar Revised</b>
<b>RS 31 Contract Demand</b>	12 MVA <sup>48</sup>	12 MVA <sup>49</sup>	3 MVA	3 MVA
<b>Maximum Mill Load</b>	45 MVA	45 MVA	45 MVA	45 MVA
<b>Stand-by Demand Limit</b>	33 MVA	33 MVA	42 MVA	42 MVA
<b>Stand-by Billing Demand</b>	28 MVA	24.75 MVA	4.2	8.4 MVA
<b>Percentage</b>	85%	75%	10%	20%
<b>Discount</b>	<b>15%</b>	<b>25%</b>	<b>90%</b>	<b>80%</b>

FortisBC reports that although it continues to take the position that Celgar’s generation does not provide identifiable net benefit to FortisBC or its customers it was willing to negotiate on the Three RS 37 Components to arrive at a resolution of the matter.<sup>50</sup> FortisBC qualified its negotiating position on the basis that there would be Operating Reserves which would be governed by a set out six principles which it set out in Exhibit B-39. The Panel further addresses Operating Reserves in Section 5.2.1.

Celgar reports that the nominated values set forth in Celgar’s initial proposal (10 percent) result in a RS 37 rate which, when applied, will result in Celgar being financially indifferent between; (i) continuing with its physical plant in its current configuration (relying upon a combination of RS 31 and RS 37 energy to meet its requirements); and (ii) proceeding with a “Load Burners” Bypass Option (as more completely described in its earlier evidence and submissions) thereby reducing its dependency on FortisBC. Celgar reports that it has put forward a solution for no other reason than to try to effect a settlement even though it would be costlier than its Bypass Option. The Panel address Bypass Options further in Section 5.2.2.

<sup>46</sup> Exhibit B-39, pp. 2-3. FortisBC reserved the right to take a different position on these matters in this and any further proceeding.

<sup>47</sup> Exhibit C2-34, p. 2. Celgar reserved the right to take different positions in this and any other proceeding (Exhibit C2-34, p. 1).

<sup>48</sup> FortisBC expressed its number in MVA; however, for purposes of its analysis it is treating MVA and MW as equivalent.

<sup>49</sup> Ibid.

<sup>50</sup> Exhibit B-39, p. 2.

### 5.2.1 Operating Reserves

As reported by FortisBC, the parties also discussed the issue of Operating Reserves which also appears in paragraph 7 of the draft GSA included in FortisBC's Language Submission. FortisBC reports that in the negotiations the parties agreed that the treatment of Operating Reserves might fairly impact the overall evaluation of the treatment of a self-generating customer and FortisBC set out six principles by which the Operating Reserves would be governed.<sup>51</sup>

Celgar states that the parties discussed the issue of Operating Reserves and each party was basing its proposals on a common understanding as to how Operating Reserves were to work if one of its proposals were to be accepted by the other. Celgar further states that it has reviewed the six principles set out by FortisBC in Exhibit-39 and agrees with that summary.<sup>52</sup>

#### **Commission determination**

Operating Reserves are resources that can rapidly change output to help maintain balance between generation and load. These reserves are usually provided by generators, but can also be provided by customers who are willing to curtail their loads at short notice. FortisBC is required to provide Operating Reserves equal to six percent of its customer's load.

During the Stage II proceeding, Celgar raised as an issue a requirement by FortisBC that Celgar provide Operating Reserves. Celgar submitted that this provides no benefit to Celgar and allows FortisBC to lean "into Celgar's capabilities for its own benefit." FortisBC countered that when it provides Celgar with stand-by service, FortisBC has to increase the level of Operating Reserves it holds and Celgar should pay for that.

The first two principles put forward by FortisBC in Exhibit B-39 deal with FortisBC's supply of Operating Reserves to Celgar during a stand-by event. The next four principles deal with Celgar's supply of Operating Reserves to FortisBC.

The two issues that these principles raise are:

- (i) the provision of Operating Reserve services by Celgar to FortisBC (principles 3-6); and
- (ii) the provision of Operating Reserve services by FortisBC to Celgar when Celgar is taking service under RS 37 (principles 1 and 2).

Regarding issue (i), the Panel notes that Operating Reserves can be provided by generators or customers who are willing to curtail their loads at short notice, and that FortisBC should negotiate with alternative service providers to obtain the service that it needs at the lowest overall cost. However, should FortisBC negotiate to purchase Operating Reserves from Celgar in exchange for an amendment to a retail tariff, these amendments should be submitted to the Commission for approval. This also raises the issue of the requirement for a section

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<sup>51</sup> Exhibit B-39, pp. 1-2.

<sup>52</sup> Exhibit C2-34, p. 1.

71 filing where the purchase and sale is not related to an amendment of an existing tariff. **However, the Panel determines the issue of whether Celgar is providing an Operating Reserve service to FortisBC (and if so, how Celgar should be compensated) is out of scope of this proceeding.**

Regarding issue (ii), the Panel considers that the issue of whether a stand-by customer should incur additional charges for Operating Reserves supplied by FortisBC when taking service under RS 37 could be within scope of this proceeding. It appears that the two parties are now in agreement on Operating Reserves which FortisBC seems to have, at least initially, indicated are established through the GSA. However the Panel requires further clarification before it can make any determinations regarding Operating Reserves. The Panel addresses obtaining this clarifying information in Section 5.3.

## 5.2.2 By-Pass Options

### 5.2.2.1 Background

On September 8, 2014, Celgar filed confidential evidence relating to specific bypass options available to it. On September 17, 2014, FortisBC filed a letter regarding the confidential evidence stating that at this point in time it does not object to such evidence being held in confidence. FortisBC stated that the Celgar bypass options should be given little or no weight or consideration in the review of the Revised RS 37 Filing because bypass options are not a proper consideration in establishing initial rates. FortisBC pointed out that bypass options may potentially be a consideration at a time in the future, in relation to an approved Stand-by Rate.

The Commission decided that a determination needed to be made as to the weight that should be afforded to Celgar's bypass options and on September 18, 2014, by Order G-141-14, invited submissions. On September 18, 2014, Celgar filed an application for reconsideration of Order G-141-14 (Reconsideration Application) stating that there was no need for any additional process to "weigh" evidence prior to the completion of final arguments and the closing of the record.

On October 7, 2014, after reviewing the submission on Celgar's Reconsideration Application, by Order G-153-14, the Commission rescinded Order G-141-14 on the basis that it was procedurally unfair to "weigh" the evidence at this time. The Reasons to Order G-153-14 stated that the task of the Panel reviewing the Revised RS 37 Filing is to look at the bypass issue through a broader, high level lens and be informed by the general by-pass information. The Panel further stated that should Celgar proceed with by-pass rate negotiations with FortisBC subsequent to a final RS 37 decision being issued, there would be another Panel dealing with that application through a more specific and detailed by-pass lens.

On November 24, 2014, FortisBC submitted in its Final Submission on the Stage II proceeding that:

...any by-pass opportunity, should it exist, should not be a consideration in setting the basic rates under which any customer, including Celgar, takes service. Rather, bypass opportunities are more appropriately considered as part of a separate process that may result in a rate adjustment, typically in the form of a rider payment. ... it should be accomplished through the

Bypass principles already established by the Commission and done in a transparent, separate process and only where an actual bypass situation exists.<sup>53</sup>

#### 5.2.2.2 Consideration of a By-Pass Options in setting Celgar's Stand-by Billing Demand

The Panel wishes to address whether the Celgar's by-pass opportunities should be a consideration in setting Celgar's SBBB.

After the negotiations on April 24, 2015, FortisBC reports that:

Celgar raised during discussions on April 20 and 22 whether FBC should reduce the numbers advanced as part of its negotiating position in light of the potential implementation of the Celgar Plan. FBC did not consider itself to be at liberty to do so and will address this further in its Stage III submissions [further submissions addressed by the Panel in Section 5.3]. Among other things, FBC did not consider itself to have any mandate to apply this consideration under the terms of the Commission's Stage I and II decisions or in light of FBC's responsibilities more broadly. Further, if the Commission were to determine that the Celgar Plan should be factored into the analysis, the exercise of factoring it in would require detailed consideration both of the plan (about which FBC has only limited information) and of the various implications and opportunities that may result from removing the majority of Celgar's load from the FBC system.<sup>54</sup>

On April 24, 2015, Celgar reports:

....If Celgar proceeds with its selected Bypass Option, it intends to nominate a RS 31 CD of a maximum of 8 MW and would not initially utilize RS 37 energy (though it reserves the right to potentially reduce future CD requirements through load-shedding and utilize a combination of RS 31 and RS 37 energy). Pending the finalization of RS 37 and reaching an understanding of how it may impact Celgar in the future, Celgar has continued to work towards finalizing its Bypass Options planning. The process has been going well and Celgar believes that it will be in a position to complete its capital budgeting, if need be, by late spring/early summer of this year. Celgar's goal will be to complete the Load Burner installation in 2016, if it becomes necessary to do so.

### Commission determination

Earlier in this proceeding, the Panel deemed by-pass opportunities to be in scope in order to be informed. The Panel was not giving any indication of actually setting a by-pass rate or considering specific by-pass options in setting RS 37.<sup>55</sup> The Panel has been able to sufficiently assess this opportunity and its implications through a broader, high level lens.

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<sup>53</sup> FortisBC Final Submission, Stage II, pp. 28-30.

<sup>54</sup> Exhibit B-39.

<sup>55</sup> Celgar Reconsideration of Order G-141-14, Exhibit A-3, Order G-141-14.

The Panel agrees with FortisBC that customer by-pass opportunities are more appropriately considered as part of a separate process where the specific details of both the utility's rate and the customer's by-pass opportunity can be assessed. They are not an appropriate consideration in setting the basic rates under which customers take service.

**Accordingly, the Panel determines that it will not consider any by-pass options available to Celgar in the event it is required to set its Stand-by Billing Demand.**

Should by-pass opportunities still have merit once Celgar's SBDL has been established, the parties are always free to discuss and negotiate options. If subsequent negotiations between Celgar and FortisBC fail to resolve this issue in a timely manner, Celgar can always file a complaint with the Commission.

### **5.3 FortisBC's request for further process**

FortisBC, in its report on the negotiations dated April 24, 2015, submits that given the parties' inability to agree, it appears that Commission determinations will be required on the issues of RS31 Contract Demand, SBDL, and SBBBD. However, FortisBC states that it has not addressed these issues in this submission given that the Commission intended this simply to be a report on the negotiations between the parties. FortisBC specifically indicates that it will require an opportunity to address the following:

- (a) issues that have arisen through the Stage II Decision;
- (b) issues that crystallized in FortisBC's view through the course of negotiations; and
- (c) issues that may be raised and submissions that may be made in Celgar's submission.

Fortis explains by stating:

...for example, as to (c), FBC understands that Celgar will be commenting on the situation of FBC ratepayers under Celgar's negotiating positions, on the concept of nomination, and on the role of FBC and other considerations in the setting of the numbers at issue in Stage III. In addition to items (a) and (b), FBC requires the opportunity to address Celgar's anticipated comments on these and other matters given that the subject matter overlaps with issues that the Commission will be resolving as part of its Stage III determination.<sup>56</sup>

In its Reply Submission on the penalty also dated April 24, 2015, FortisBC again submitted that it will require an opportunity to address the three issues.

On the other hand, Celgar states it believes that the Commission has sufficient evidence and arguments before it from the Stage II proceeding to come to a decision on the Three RS 37 Components for Celgar.<sup>57</sup>

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<sup>56</sup> Exhibit B-39, p. 4.

<sup>57</sup> Exhibit C2-34, p. 4.



## Commission determination

The Panel finds that given the determinations already made thus far, and in consideration of the issues identified by FortisBC which it requests an opportunity to address, the Panel can only make a determination on the RS 31 Contract Demand and the SBDL at this time and will do so in Sections 5.4 and 5.5 respectfully.

In regard to SBBD, the Panel appreciates FortisBC's concern that it needs an opportunity to make a further submission. The Panel is aware that the Stand-by Rate as originally proposed by FortisBC has evolved throughout the review process; the SBBD was something directed by the Commission and not put forward by FortisBC. Much of the evidentiary record is based on varying interpretations of what finally resulted in SBBD, including Celgar's Preferred RS 37. Further, RS 37 has only now been approved as final in this Stage III Decision. The Panel is also aware that certain issues which may have been identified by the parties as concern throughout the process may have been resolved or crystallized during the negotiations. At a minimum, quoting Celgar, there may now be "a focused disagreement" among the parties.<sup>58</sup> After reviewing the Final and Reply Submissions of the parties on the Stage I and Stage II proceeding, the Panel concludes that significant segments of those submissions addressed concepts that are no longer applicable. Based on the determinations in the Stage I, II, and III Decisions, only a very limited issue remains to be resolved. The Panel, therefore, believes that it, as well as both parties would benefit from an additional round of focused submissions.

The Panel determines that allowing FortisBC and Celgar, the directly affected parties, an opportunity to make a further submission on the Stand-by Billing Demand, fully explaining their positions, and providing FortisBC with an opportunity to reply would ensure procedural fairness is met. This process will provide the Panel with a clean and concise evidentiary record focusing only on the points that are still of relevance to the parties and issues to be resolved.

In addition, the Panel requests the parties to address Operating Reserves and requests that the following points are considered by FortisBC and Celgar as necessary:

- (i) Are the parties in agreement on the issue of Operating Reserves?
- (ii) Are details on Operating Reserves required in order to negotiate SBDL or SBBD?
- (iii) Are Operating Reserves bundled into the stand-by energy or demand charges set out in FortisBC's proposed RS 37? If not, please explain why not.
- (iv) If a customer purchased energy to meet its stand-by needs from a third party, would the third party be responsible for procuring operating reserves?
- (v) Confirm, or explain otherwise, that Operating Reserves is an issue addressed through a negotiated GSA.
- (vi) Explain whether or not the six principles set out in Exhibit B-39 will make up part of Celgar's GSA.
- (vii) Confirm, or explain otherwise, that the six principles only apply to Celgar.

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<sup>58</sup> Exhibit C2-33, p. 4.

**Therefore, in accordance with the timetable, established in Order G-93-15, Directive 3, the Panel seeks further submissions from FortisBC and Celgar, on an appropriate Stand-by Billing Demand for Celgar and to respond to certain Panel questions regarding Operating Reserve.**

While preparing the submissions, the Panel once again urges the parties to try to negotiate and agree on this one last component (SBBD) as a negotiated agreement would be substantially preferable to the Commission being required to rule on the SBBD. If the parties still cannot come to an agreement the Panel requests that the parties advise the Commission on the outcome of the negotiations as part of the submissions.

#### **5.4 RS 31 Contract Demand**

In the Stage I Decision, the Panel found that a customer who normally generates in excess of plant load and operates in a net-of-load environment would only require supply from FortisBC either for Back-Up or Maintenance Service. Therefore, that customer would not require any full service under RS 31 and, as a result, would have a RS 31 Contract Demand of zero unless negotiated otherwise.

In the Revised RS 37 Filing, FortisBC identified three circumstances where a customer who operates in a net-of-load environment would require service under RS 31:

First, while a customer that normally serves its entire load from its own generation may only *require* service from FortisBC in the event of a generation outage, it may choose for its own reasons to take service under RS31 for cases such as a brief generation interruption or the level of market prices. Second, in the case of a customer with generation output that is less than plant load; supplementary service under RS31 will be a normal occurrence. Third, Stand-by Service is only available in an amount sufficient to cover the customer's average generation in a period. To the extent that load exceeds this amount during a period of Stand-by Service some power may be delivered under RS 31...<sup>59</sup>

In the Stage II Decision, the Panel determined that RS 31 Contract Demand establishes the maximum level of full service that a customer is eligible for under RS 31. Contract Demand is a contractual item that is intended to set parameters of service for a given customer. In the case of RS 31 Contract Demand it is intended to set the parameter of RS 31 service, which is full service, and not stand-by service.<sup>60</sup>

During the April 2015 negotiations Celgar negotiated for a RS 31 Contract Demand of 3 MVA and FortisBC required a 12 MVA Contract Demand.

Regarding the negotiations Celgar reports:

The parties also differ on whether FortisBC is entitled to nominate Celgar's CD level (even subject to Commission approval), or whether Celgar's proposal should be characterized as a reduction in the CD that should be settled upon, given the other billing determinants involved.

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<sup>59</sup> Exhibit B-22, p. 8.

<sup>60</sup> Stage II Stand-by Rate Decision, March 24, 2015 p. 22.

First, Celgar believes that it alone should be entitled to nominate the levels of RS 31 and RS 37 service that it wishes to receive.<sup>61</sup>

### **Commission determination**

The Panel is aware that in the Revised RS 37 Filing FortisBC identified three circumstances where a customer who operates in a net-of-load environment would require service under RS 31. Two of those circumstances apply to a customer such as Celgar who normally generates in excess of plant load. However, the Panel considers that FortisBC's rationale for the three circumstances was based on its proposed design of RS 37 as submitted in the Revised RS 37 Filing. Under the finally approved RS 37 FortisBC's rationale is not applicable for the following reasons:

- First, in the Stage II Decision the Panel determined that a customer should not be able to choose between taking service under RS31 or RS 37 for cases such as a brief generation interruption or the level of market prices. The Panel determined that a customer is only entitled to full-service under RS 31 up to its RS 31 Contract Demand which must be based on its requirement for full service unless negotiated otherwise by the parties. Given that Celgar can meet its full load with its own self-generation it has no requirement for full service.
- Second, in the Stage II Decision the Panel determined that any service provided in excess of a customer's Maximum Level of Stand-by Service would not be provided under RS 31, but rather under RS 37 and would be subject to Special Provision 7 which institutes a penalty treatment.

In regards to Celgar's belief that it alone should be entitled to nominate the levels of RS 31 and RS 37 service that it wishes to receive, the Panel agrees with Celgar but only if FortisBC is willing to provide that service. However, the Panel stresses that FortisBC cannot require a customer to take any more RS 31,<sup>62</sup> or for that matter RS 37, service than the customer requests.

**The Panel sets Celgar's RS 31 Contract Demand at 3 MVA as it is the highest amount that Celgar requested and FortisBC agreed to provide. If further negotiated any RS 31 Contract Demand proposed by Celgar must be agreed to by FortisBC but cannot be any higher than what Celgar may request.**

### **5.5 Stand-by Demand Limit**

Having set the RS 31 Contract Demand for Celgar at 3 MVA, the Panel will now address the SBDL which is the maximum demand of service that can be supplied to the customer under RS 37. This establishes the customer's maximum requirement for stand-by service, but is not directly used for billing purposes. SBDL is essentially the customer's load reduced by any RS 31 Contract Demand.

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<sup>61</sup> Exhibit C2-34, p. 3.

<sup>62</sup> In the case of customers that have generation capacity to serve their full load.

**Commission determination**

**Both Celgar and FortisBC agree that Celgar's load is 45 MVA. Given the Panel determination that Celgar's Contract Demand is 3 MVA, the Stand-by Demand Limit is therefore set at 42 MVA unless the parties negotiate a different RS 31 Contract Demand which would require the Stand-by Demand Limit to be adjusted equally.**

**DATED** at the City of Vancouver, in the Province of British Columbia, this      29<sup>th</sup>      day of May 2015.

*Original signed by:*

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L. A. O'HARA

COMMISSIONER/PANEL CHAIR

*Original signed by:*

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R. D. REVEL

COMMISSIONER



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-93-15**

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
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IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.  
Application for Stepped and Stand-by Rates for Transmission Voltage Customers

**BEFORE:** L. A. O'Hara, Panel Chair/Commissioner  
R. D. Revel, Commissioner May 29, 2015

**O R D E R**

**WHEREAS:**

- A. On March 28, 2013, FortisBC Inc. (FortisBC) filed an application with the British Columbia Utilities Commission (Commission) for approval of new rates for transmission voltage customers (Original Application) under sections 58-61 of the *Utilities Commission Act*;
- B. The Original Application requested, among other things, approval for a Rate Schedule 37 Stand-by Service Rate (RS 37) and a determination of the retroactive application of rates to Zellstoff Celgar Limited Partnership (Celgar);
- C. The British Columbia Hydro and Power Authority, Celgar, International Forest Products Limited, the British Columbia Old Age Pensioners' and Seniors' Organization *et al.* (BCOAPO), the BC Municipal Electric Utilities, and Minister of Energy and Mines registered as interveners, while Tolko Industries Ltd. registered as an interested party;
- D. On May 26, 2014, by Order G-67-14, (Stage I Decision) the Commission, among other things, declined to approve RS 37 as proposed in the Original Application but did approve several components of the rate. The Commission directed FortisBC to file a revised RS 37 incorporating the findings in the Stage I Decision and to address certain Celgar specific matters;
- E. On June 26, 2014, in compliance with Order G-67-14, FortisBC filed for approval of a revised RS 37 (Revised RS 37 Filing), and by Orders G-81-14, G-118-14, G-154-14, and G-168-14 the Commission established the regulatory timetable for the review of the Revised RS 37 Filing;

- F. On March 24, 2015, by Order G-46-15, (Stage II Decision) the Commission approved, subject to the changes directed in the decision, and subject to the RS 37 directed language being workable to FortisBC, the form of RS 37, other than defining the penalty and the conditions under which it will be waived;
- G. By Order G-46-15, the Commission provided FortisBC with ten working days to comment on the RS 37 language directed in the Stage II Decision (Language Submission) and established a regulatory timetable for submissions on the penalty component (Penalty Submissions);
- H. In accordance with the timetable established in Order G-46-15 and further amended by Commission letters dated March 26 and 27, 2015, the Commission received Penalty Submissions from FortisBC, BCOAPO, and Celgar and a reply from FortisBC. FortisBC filed a Language Submission on April 14, 2015; and
- I. In the Stage II Decision the Panel urged FortisBC and Celgar to reach an agreement reflecting the principles outlined in this Stage II Decision. On April 24, 2015, both FortisBC and Celgar advised the Commission by way of letter on the outcome of their negotiations.

**NOW THEREFORE** the British Columbia Utilities Commission, pursuant to sections 59-61 of the *Utilities Commission Act*, orders:

- 1. Effective the date of this order, Rate Schedule 37 Stand-by Service (RS 37) is approved subject to the changes directed in the Decision that is issued concurrently with this order.
- 2. FortisBC Inc. (FortisBC) is directed to file amended RS 37 tariff sheets within 15 business days of the date of this order.
- 3. In accordance with the following timetable, the British Columbia Utilities Commission (Commission) seeks further submissions from FortisBC and Zellstoff Celgar Limited Partnership (Celgar) on an appropriate Stand-by Billing Demand for Celgar and to respond to certain Panel questions regarding Operating Reserve as directed in Section 5.3 of the Decision:

FortisBC Submission	Friday, June 19, 2015
Celgar Submissions	Friday, July 3, 2015
FortisBC Reply Submission	Friday, July 10, 2015

**DATED** at the City of Vancouver, in the Province of British Columbia, this 29<sup>th</sup> day of May 2015.

BY ORDER

*Original signed by:*

L. A. O'Hara  
Panel Chair/Commissioner

## RATE SCHEDULES

### SCHEDULE 37 - STAND-BY SERVICE

#### AVAILABILITY:

Stand-by Service is a Back-Up and Maintenance Service intended to provide the Customer with a firm supply of electric power and energy when the Customer's generating facilities are not in operation or are operating at less than full rated capability.

Stand-by Service is available only to those Customers that normally supply all or some portion of load from self-generation and is strictly for the continued operation of Customer facilities at times when the Customer-owned generation is unavailable.

Stand-by Service cannot be used by the Customer in the fulfillment of any power sales obligation.

Stand-by Service is only available to a Customer contracted to receive service under Rate Schedule 31.

RS 31 Contract Demand is the Customer's Contract Demand expressed in kilovolt Amperes (kVA) and specified in the General Service Agreement (GSA) between the Company and the Customer. If the Customer and the Company cannot come to an agreement, the RS 31 Contract Demand will be set by BCUC.

Service taken up to a Customer's RS 31 Contract Demand is not considered to occur within a Stand-by Period.

Net Metering Customers are not eligible for Stand-by Service.

#### DEFINITIONS:

**Customer** – has the meaning provided in FortisBC's Electric Tariff B.C.U.C. #2 Section 1.

**BCUC** – British Columbia Utilities Commission

**Maintenance Service** - is provided during a Company approved scheduled outages for maintenance or downtime of the on-site generation.

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Issued \_\_\_\_\_  
FORTISBC INC.

Accepted for filing \_\_\_\_\_  
BRITISH COLUMBIA UTILITIES COMMISSION

By: Dennis Swanson  
Director, Regulatory Affairs

By: \_\_\_\_\_  
Commission Secretary

EFFECTIVE (applicable to consumption on and after) \_\_\_\_\_

## RATE SCHEDULES

### SCHEDULE 37 - STAND-BY SERVICE (cont'd)

**Back-Up service** – is an on-demand service required during unscheduled outages of the self-generation, ensuring that utility capacity is available for a Customer to call on to meet the Customer's load.

**Stand-by Period** – the total time during which the Customer is taking service under this rate schedule.

**Stand-by Penalty Period** – a Stand-by Penalty Period occurs under the conditions identified in Special Provision 7.

**Stand-by Demand Limit (SBDL)** - Billing under this rate schedule requires the establishment of a SBDL, expressed in kVA. The SBDL for a Customer utilizing this rate schedule will set the maximum demand of service that can be supplied to the Customer under this rate schedule. SBDL is to be agreed to between the Customer and the Company and is specified in the GSA between the Company and the Customer. If the Customer and the Company cannot come to an agreement, the SBDL will be set by the BCUC.

**Maximum Level of Stand-by Service:** In any hour, capacity in kVA will be available to a maximum of the difference between the SBDL and the Customer's generation in that hour in kVA.

### SERVICES:

#### PART A – Maintenance Service:

Maintenance Service is supplied during scheduled outages of the Customer's generation for the purpose of maintenance of the generation facility. The Customer must schedule maintenance power with the Company not less than 30 days prior to its use. Maintenance power service shall be limited to not more than six occurrences and not more than sixty (60) total days during a calendar year.

Maintenance Service is terminated upon notification from the Customer that the event is over.

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By: Dennis Swanson \_\_\_\_\_  
Director, Regulatory Affairs

By: \_\_\_\_\_  
Commission Secretary

EFFECTIVE (applicable to consumption on and after) \_\_\_\_\_



## RATE SCHEDULES

### SCHEDULE 37 - STAND-BY SERVICE (cont'd)

#### PART B – Back-Up Service:

Back-Up service is supplied to replace energy generated by a Customer's own equipment when that equipment is not in service, except during periods of maintenance. Notification for the use of Back-Up supply must be provided as per Special Provision 4 and is limited to 876 hours per calendar year.

The provision of Back-Up Service will be considered to be automatically terminated if the Customer has not consumed the Company's electricity for 8 continuous hours, after which time the Customer will be required to provide separate notice for a new instance of Back-Up Service.

#### CHARGES:

Monthly Rate: A Notification Fee of \$200.00 per use; plus

#### RS 37 Energy Charge:

An hourly Stand-by Energy charge determined by:

- (i) The hourly Powerdex Mid-Columbia (Mid-C) per kWh price for the hour in which the Stand-by Energy is taken by the Customer. In hours in which the Mid-C price is negative, a value of \$0.00 will be used; and
- (ii) System losses as per Rate Schedule 109; and
- (iii) Hourly transmission charges from the Mid-C hub to the border of \$0.0040 per kWh; and
- (iv) Administrative premium of 10%.

The hourly charge is calculated as:

$$\text{RS 37 Energy Charges} = ((\text{Stand-by Energy} \times (1 + \text{loss rate \%})) \times (\text{Mid-C} + 0.0040)) \times 1.10$$

Where "Stand-by Energy" refers to the energy delivered during the Stand-by Period

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By: Dennis Swanson  
Director, Regulatory Affairs

By: \_\_\_\_\_  
Commission Secretary

EFFECTIVE (applicable to consumption on and after) \_\_\_\_\_

## RATE SCHEDULES

### SCHEDULE 37 - STAND-BY SERVICE (cont'd)

#### Scenarios:

- d. In any hour all energy delivered up to or below the RS 31 Contract Demand is not Stand-by Energy and is billed under RS 31.
- e. In any hour if a Customer's demand exceeds the RS 31 Contract Demand, but the demand in excess of the RS 31 Contract Demand is less than the Maximum Level of Stand-by Service then:  
Stand-by Energy = total consumption – RS 31 Contract Demand consumption
- f. In any hour if a Customer's demand exceeds the RS 31 Contract Demand plus the Maximum Level of Stand-by Service allowed, service will be charged in accordance with Special Provision 7.

#### SPECIAL PROVISIONS:

1. **Stand-by Billing Demand (SBBD)** - Billing under this rate schedule requires the establishment of a SBBD, expressed in kVA. SBBD for a customer utilizing this rate schedule will be set at an amount between zero and 100 percent of the Customer's SBDL and is to be used in the determination of the Wires Charge in RS 31. The SBBD is to be agreed to between the Customer and the Company and is specified in the GSA between the Company and the Customer. If the Customer and the Company cannot come to an agreement, the SBBD will be set by the BCUC.
2. **Billing Demand in the underlying rate** – The maximum demand recorded during a Stand-by Period will not be used in the calculation of Billing Demand in RS 31.
3. **Power Supply Demand Charge** – The peak demand measured during a Stand-by Period will not be used in the calculation of demand charges in RS 31.
4. **Back-Up Notification** – A Customer must inform the Company within 30 minutes of taking energy under the Back-Up provisions of this rate schedule and inform the Company of the

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Director, Regulatory Affairs

By: \_\_\_\_\_  
Commission Secretary

EFFECTIVE (applicable to consumption on and after) \_\_\_\_\_

SPECIAL PROVISIONS: (cont'd)

anticipated time that the generator will return to normal operations. If the Customer's generator is not available at the anticipated time, further notice including an updated anticipated time that the generator will return to normal operations must be provided.

5. **Metering** – Customers must have Company approved interval metering and meter communications in place prior to initiation of service under this rate schedule. The Company requires metering that measures the net quantity and direction of flow at the point of interconnection between the Customer and the Company and total generator output.
6. **Required Equipment** – The Customer will provide, install, and maintain on the Customer's premises all necessary transformers to which the Company's service is directly or indirectly connected. The Customer also will provide, install, and maintain the necessary switches, cutouts, protection equipment, and the necessary wiring on both sides of the transformers. All transformers, equipment and wiring will be of types and characteristics approved by the Company and their installation, operation and maintenance will be subject to inspection and approval by the Company.
7. **Stand-by Penalty Period** - In an hour that a Customer is taking service in excess of its RS 31 Contract Demand plus the Maximum Level of Stand-by Service allowed or is taking service in excess of its RS 31 Contract Demand and is not eligible for either Maintenance or Back-Up Service due to the restrictions under this rate schedule service will be considered a Stand-by Period subject to the following penalty:

In a Stand-by Penalty Period hour:

- a. RS 37 Energy Charge (i) shall be replaced with:

The hourly per kWh price for the hour in which the Stand-by Energy is taken by the Customer is the greater of:

- i. \$1,000
- ii. \$50/MWh calculated as:

$$((\text{Stand-by Energy} \times (1 + \text{loss rate \%})) \times (.05 + 0.0040)) * 1.10$$

Issued \_\_\_\_\_  
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BRITISH COLUMBIA UTILITIES COMMISSION

By: Dennis Swanson  
Director, Regulatory Affairs

By: \_\_\_\_\_  
Commission Secretary

EFFECTIVE (applicable to consumption on and after) \_\_\_\_\_

RATE SCHEDULES

SPECIAL PROVISIONS: (cont'd)

- iii. 150 percent of the energy charge that would have resulted under the calculation of RS 37 Energy Charge (i) in this rate schedule calculated as:  
$$[(\text{Stand-by Energy} \times (1 + \text{loss rate \%})) \times ((\text{Mid-C} \times 1.5) + 0.0040)] \times 1.10$$
- b. Special Provision 2 will not apply. The maximum demand recorded in the hour during a Stand-by Penalty Period will be used in the current billing period's calculation of Billing Demand in RS 31 but will not set a ratchet that will be used in the calculation of Billing Demand in RS 31 in future billing periods.

When Back-Up Service is taken in excess of the calendar year hourly limit or when Special Provision 4 has been violated the Company will waive the penalty under the following circumstances:

- a. An extreme or unusual circumstance as identified in the *force majeure* provision in the Company's approved tariff, Section 11.4 limits the self-generation of the Customer; or
- b. A temporary reduction in customer generation, as a response to a system issue on the Company's system, which takes the Customer's generation off-line.

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FORTISBC INC.

Accepted for filing \_\_\_\_\_  
BRITISH COLUMBIA UTILITIES COMMISSION

By: Dennis Swanson  
Director, Regulatory Affairs

By: \_\_\_\_\_  
Commission Secretary

EFFECTIVE (applicable to consumption on and after) \_\_\_\_\_

## RATE SCHEDULES

### SCHEDULE 37 - STAND-BY SERVICE

#### AVAILABILITY:

Stand-by Service is a Back-Up and Maintenance Service intended to provide the Customer with a firm supply of electric power and energy when the Customer's generating facilities are not in operation or are operating at less than full rated capability.

Stand-by Service is available only to those Customers that normally supply all or some portion of load from self-generation and is strictly for the continued operation of Customer facilities at times when the Customer-owned generation is unavailable.

Stand-by Service cannot be used by the Customer in the fulfillment of any power sales obligation.

Stand-by Service is only available to a Customer contracted to receive service under Rate Schedule 31.

RS 31 Contract Demand is the Customer's Contract Demand expressed in kilovolt Amperes (kVA) and specified in the General Service Agreement (GSA) between the Company and the Customer. If the Customer and the Company cannot come to an agreement, the RS 31 Contract Demand will be set by BCUC.

Service taken up to a Customer's RS 31 Contract Demand is not considered to occur within a Stand-by Period.

Net Metering Customers are not eligible for Stand-by Service.

#### DEFINITIONS:

**Customer** – has the meaning provided in FortisBC's Electric Tariff B.C.U.C. #2 Section 1.

**BCUC** – British Columbia Utilities Commission

**Maintenance Service** - is provided during a Company approved scheduled outages for maintenance or downtime of the on-site generation.

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## RATE SCHEDULES

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### SCHEDULE 37 - STAND-BY SERVICE (cont'd)

**Back-Up service** – is an on-demand service required during unscheduled outages of the self-generation, ensuring that utility capacity is available for a Customer to call on to meet the Customer's load.

**Stand-by Period** – the total time during which the Customer is taking service under this rate schedule.

**Stand-by Penalty Period** – a Stand-by Penalty Period occurs under the conditions identified in Special Provision 7.

**Stand-by Demand Limit (SBDL)** - Billing under this rate schedule requires the establishment of a SBDL, expressed in kVA. The SBDL for a Customer utilizing this rate schedule will set the maximum demand of service that can be supplied to the Customer under this rate schedule. SBDL is to be agreed to between the Customer and the Company and is specified in the GSA between the Company and the Customer. If the Customer and the Company cannot come to an agreement, the SBDL will be set by the BCUC.

**Maximum Level of Stand-by Service:** In any hour, capacity in kVA will be available to a maximum of the difference between the SBDL and the Customer's generation in that hour in kVA.

### SERVICES:

#### PART A – Maintenance Service:

Maintenance Service is supplied during scheduled outages of the Customer's generation for the purpose of maintenance of the generation facility. The Customer must schedule maintenance power with the Company not less than 30 days prior to its use. Maintenance power service shall be limited to not more than six occurrences and not more than sixty (60) total days during a calendar year.

Maintenance Service is terminated upon notification from the Customer that the event is over.

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## RATE SCHEDULES

### SCHEDULE 37 - STAND-BY SERVICE (cont'd)

#### PART B – Back-Up Service:

Back-Up service is supplied to replace energy generated by a Customer's own equipment when that equipment is not in service, except during periods of maintenance. Notification for the use of Back-Up supply must be provided as per Special Provision 4 and is limited to 876 hours per calendar year.

The provision of Back-Up Service will be considered to be automatically terminated if the Customer has not consumed the Company's electricity for 8 continuous hours, after which time the Customer will be required to provide separate notice for a new instance of Back-Up Service.

#### CHARGES:

Monthly Rate: A Notification Fee of \$200.00 per use; plus

#### RS 37 Energy Charge:

An hourly Stand-by Energy charge determined by:

- (i) The hourly Powerdex Mid-Columbia (Mid-C) per kWh price for the hour in which the Stand-by Energy is taken by the Customer. In hours in which the Mid-C price is negative, a value of \$0.00 will be used; and
- (ii) System losses as per Rate Schedule 109; and
- (iii) Hourly transmission charges from the Mid-C hub to the border of \$0.0040 per kWh; and
- (iv) Administrative premium of 10%.

The hourly charge is calculated as:

$$\text{RS 37 Energy Charges} = ((\text{Stand-by Energy} \times (1 + \text{loss rate \%})) \times (\text{Mid-C} + 0.0040)) \times 1.10$$

Where "Stand-by Energy" refers to the energy delivered during the Stand-by Period

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RATE SCHEDULES

SCHEDULE 37 - STAND-BY SERVICE (cont'd)

Scenarios:

- a. In any hour all energy delivered up to or below the RS 31 Contract Demand is not Stand-by Energy and is billed under RS 31.
- b. In any hour if a Customer's demand exceeds the RS 31 Contract Demand, but the demand in excess of the RS 31 Contract Demand is less than the Maximum Level of Stand-by Service then:  
Stand-by Energy = total consumption – RS 31 Contract Demand consumption
- c. In any hour if a Customer's demand exceeds the RS 31 Contract Demand plus the Maximum Level of Stand-by Service allowed, service will be charged in accordance with Special Provision 7.

SPECIAL PROVISIONS:

1. **Stand-by Billing Demand (SBBD)** - Billing under this rate schedule requires the establishment of a SBBD, expressed in kVA. SBBD for a customer utilizing this rate schedule will be set at an amount between zero and 100 percent of the Customer's SBDL and is to be used in the determination of the Wires Charge in RS 31. The SBBD is to be agreed to between the Customer and the Company and is specified in the GSA between the Company and the Customer. If the Customer and the Company cannot come to an agreement, the SBBD will be set by the BCUC.
2. **Billing Demand in the underlying rate** – The maximum demand recorded during a Stand-by Period will not be used in the calculation of Billing Demand in RS 31.
3. **Power Supply Demand Charge** – The peak demand measured during a Stand-by Period will not be used in the calculation of demand charges in RS 31.
4. **Back-Up Notification** – A Customer must inform the Company within 30 minutes of taking energy under the Back-Up provisions of this rate schedule and inform the Company of the

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SPECIAL PROVISIONS: (cont'd)

anticipated time that the generator will return to normal operations. If the Customer's generator is not available at the anticipated time, further notice including an updated anticipated time that the generator will return to normal operations must be provided.

5. **Metering** – Customers must have Company approved interval metering and meter communications in place prior to initiation of service under this rate schedule. The Company requires metering that measures the net quantity and direction of flow at the point of interconnection between the Customer and the Company and total generator output.
6. **Required Equipment** – The Customer will provide, install, and maintain on the Customer's premises all necessary transformers to which the Company's service is directly or indirectly connected. The Customer also will provide, install, and maintain the necessary switches, cutouts, protection equipment, and the necessary wiring on both sides of the transformers. All transformers, equipment and wiring will be of types and characteristics approved by the Company and their installation, operation and maintenance will be subject to inspection and approval by the Company.
7. **Stand-by Penalty Period** - In an hour that a Customer is taking service in excess of its RS 31 Contract Demand plus the Maximum Level of Stand-by Service allowed or is taking service in excess of its RS 31 Contract Demand and is not eligible for either Maintenance or Back-Up Service due to the restrictions under this rate schedule service will be considered a Stand-by Period subject to the following penalty:

In a Stand-by Penalty Period hour:

- a. RS 37 Energy Charge (i) shall be replaced with:

The hourly per kWh price for the hour in which the Stand-by Energy is taken by the Customer is the greater of:

- i. \$1,000
- ii. \$50/MWh calculated as:

$$((\text{Stand-by Energy} \times (1 + \text{loss rate \%})) \times (.05 + 0.0040)) * 1.10$$

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## RATE SCHEDULES

### SPECIAL PROVISIONS: (cont'd)

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## HISTORY OF SERVICE PROVIDED BY FORTISBC TO CELGAR

### 2000 General Service Agreement

- 2000: FortisBC and Celgar were party to a General Service Agreement and attached Electricity Supply Brokerage Agreement dated December 20, 2000 (2000 GSA). The 2000 GSA provided that the price for energy up to a firm Contract Demand of 16 MVA would be calculated under RS 31. In the event of a maintenance shutdown or failure of the turbo generator, any back up source of power to meet the Mill's total load of 46.5 MVA, above the firm 16 MVA RS 31 Contract Demand, was to be provided by FortisBC under the terms outlined in the 2000 ESA on a reasonable efforts basis.
  - o If FortisBC is forced to acquire added resources to meet Celgar's back up needs (in excess of the 16 MVA) Celgar is required to pay all actual added operating expenses (demand and energy) plus an adder.
  - o If no additional costs are incurred back up power in excess of the 16 MVA is billed under the RS 31 energy charge (no additional demand charges).

### 2006 General Service Power Contract (unsigned)

- 2006: In 2006 Celgar stopped taking service under RS 31 and the 2000 GSA. On October 1, 2006, Celgar started taking service under RS 33, which was a TOU rate, pursuant to the terms of a new draft GSA and BA which was never signed.
- 2008: In 2008 a second draft agreement was reached by the parties but withdrawn by FortisBC due to the Order G-48-09 that approved BC Hydro's amendment to section 2.1 of RS 3808.

### No Agreement

- 2009: In the 2009 Rate Design Decision the Commission determined that under the current circumstances Celgar was ineligible to take service under RS 33 and directed FortisBC to provide Celgar service under RS 31 effective January 2, 2011. In doing that the panel also recommended that FortisBC and Celgar reconsider the options available for designing a practical and workable rate schedule for Celgar.
- 2011: In 2011 Celgar filed a complaint with the Commission regarding how FortisBC was applying RS 31 demand charges and the failure of FortisBC and Celgar to complete a GSA. The Commission determined that the unsigned 2006 GSA and BA did not apply and therefore there was no pre-existing agreement in effect. The Commission put Celgar on RS 31 on an interim basis, beginning March 25, 2011, and directed FortisBC to design a Stand-by Rate.
- 2011: Celgar and Fortis by way of a draft ESA dated January 2, 2011 set out a Mill load of 45 MW, a RS 31 Contract demand of 8 MVA and a non-firm Back-Up source of power above the RS 31 Contract Demand either delivered by FortisBC's, on a reasonable efforts basis, from Non-FortisBC sources (specifically excluding BC Hydro's RS 3808) or third party deliveries as arranged by Celgar, when Celgar is selling power not in excess of its load.

**LIST OF ACRONYMS**

BCOAPO	British Columbia Old Age Pensioners' and Seniors' Organization et al.
Celgar	Zellstoff Celgar Limited Partnership
draft GSA	draft General Service Agreement
FortisBC	FortisBC Inc.
Language Submissions	Submission revived pursuant to Order G-46-15, Directive 2
Original Application	Application for approval of a new set of rates, including a Rate Schedule 37 Stand-by Service Rate for its transmission voltage customers.
Panel Proposed Penalty	Penalty proposed by the Panel in the Stage II Decision
Penalty Submissions	Submissions revived pursuant to Order G-46-15, Directive 3
Revised RS 37	Revised Rate Scheduled by FortisBC as part of the Language Submission
RS 37	Rate Schedule 37 Stand-by Service Rate
SBBD	Stand-by Billing Demand
SBDL	Stand-by Demand Limit
Stage I Decision	Decision on the Original Application by Order G-67-14 (Stage I Decision) on March 26, 2014
Stage II Decision	Order G-46-15 and attached Reasons dated March 24, 2015 - Decision on the Revised RS 37 Filing
Three RS 37 Components	Contract Demand; (ii) Stand-by Billing Demand (SBBD); and (iii) Stand-by Demand Limit (SBDL)